



**COUNTY OF SAN BERNARDINO, CALIFORNIA**

Single Audit Reports

Year ended June 30, 2002

# COUNTY OF SAN BERNARDINO, CALIFORNIA

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355 South Grand Avenue  
Suite 2000  
Los Angeles, CA 90071-1568

**Report on Compliance and on Internal Control over  
Financial Reporting Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

The Honorable Members of the Board of Supervisors  
County of San Bernardino, California:

We have audited the basic financial statements of the County of San Bernardino, California (the County) as of and for the year ended June 30, 2002 and have issued our report thereon, dated January 17, 2003. Our report refers to the County's adoption of the provisions of Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, No. 38, *Certain Financial Statement Note Disclosures*, and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, effective July 1, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the County's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in



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the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting, which we have reported to management of the County in a separate letter.

This report is intended solely for the information and use of the audit committee, management, the board of supervisors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Orange County, California  
January 17, 2003



355 South Grand Avenue  
Suite 2000  
Los Angeles, CA 90071-1568

## **Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133**

The Honorable Members of the Board of Supervisors  
County of San Bernardino, California:

### **Compliance**

We have audited the compliance of the County of San Bernardino, California (the County), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. We did not audit the grant programs of the Community Services Department which expended \$6,785,239 in expenditures of federal awards during the fiscal year ended June 30, 2002 and is included in the County's basic financial statements. Our audit described below did not include the grant programs of the Community Services Department because the County engaged other auditors to perform such audit in accordance with the aforementioned standards. The County's major federal programs are identified in the summary of auditors' results section in the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, except for the effects of the omission of the Community Services Department, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 02-01 through 02-46.



## **Internal Control over Compliance**

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. Our consideration of internal control over compliance did not extend to the Community Services Department, which was audited by other auditors.

We noted certain matters involving internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 02-01, 02-02, 02-09, 02-23, and 02-33.

A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the audit committee, management, the board of supervisors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*KPMG LLP*

Orange County, California  
June 15, 2003



355 South Grand Avenue  
Suite 2000  
Los Angeles, CA 90071-1568

**Independent Auditors' Report on Supplementary  
Information – Schedule of Expenditures of Federal Awards**

The Honorable Members of the Board of Supervisors  
County of San Bernardino, California:

We have audited the basic financial statements of the County of San Bernardino, California (the County) as of and for the year ended June 30, 2002 and have issued our report thereon, dated January 17, 2003.

Our audit was made for purpose of forming an opinion on the basic financial statements of the County taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Except for the omission of the grant programs of the Community Services Department, such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, the board of supervisors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

Orange County, California  
June 15, 2003



**COUNTY OF SAN BERNARDINO, CALIFORNIA**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

<b>Federal grantor/pass-through grantor program name</b>	<b>CFDA number</b>	<b>Federal expenditures</b>
Medicaid Cluster – Department of Health and Human Services:		
California Department on Aging:		
Medi-Cal Assistance Program	93.778	\$ 499,878
California Department of Alcohol and Drug Program:		
Medi-Cal Assistance Program	93.778	1,814,274
California Department of Health Services:		
Medi-Cal Assistance Program	93.778	698,493
California Department of Mental Health:		
Medi-Cal Assistance Program	93.778	23,520,962
California Department of Social Services:		
Medi-Cal Assistance Program	93.778	24,789,052
Total Medicaid Cluster (1)		<u>51,322,659</u>
Child Nutrition Cluster – Department of Agriculture:		
California Department of Education:		
School Breakfast Program	10.553	256,576
National School Lunch Program	10.555	394,323
Total Child Nutrition Cluster		<u>650,899</u>
Food Stamps Cluster – Department of Agriculture:		
California Department of Social Services:		
Food Stamps Program	10.551	117,194,399
Food Stamps Administration	10.561	14,783,640
California Department of Health Services:		
Nutrition Network	10.561	484,962
Public Health Institute:		
Children's Five-A-Day Power Play Campaign	10.561	88,779
Total Food Stamps Cluster (1)		<u>132,551,780</u>
Department of Agriculture:		
California Department of Education:		
Child and Adult Care Food Program	10.558	1,789,987
California Department of Food and Agriculture:		
Inspection, Grading, and Standardization	10.162	7,864
California Department of Health Services:		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	6,454,598
California Department on Aging:		
Nutrition Program for the Elderly	10.570	603,050
State Controller:		
Schools and Roads – Cluster	10.665	128,165
Direct Programs:		
Forestry Research Grant	10.652	64,010
Cooperative Agreement for Controlled Substances	10.664	15,000
Total Department of Agriculture		<u>79,010</u>
Total Department of Agriculture		<u>9,062,674</u>
Department of Education:		
California Department of Alcohol and Drug Program:		
Safe and Drug-Free Schools	84.186	97,718



**COUNTY OF SAN BERNARDINO, CALIFORNIA**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

<b>Federal grantor/pass-through grantor program name</b>	<b>CFDA number</b>	<b>Federal expenditures</b>
Aging Cluster – Department of Health and Human Services:		
California Department on Aging:		
Special Programs for the Aging – Title III, Part B	93.044	\$ 1,014,687
Special Programs for the Aging – Title III, Parts C1 and C2, Nutrition Services	93.045	2,134,393
Total Aging Cluster (1)		<u>3,149,080</u>
Child Care Cluster – Department of Health and Human Services:		
California Department of Education:		
Child Care and Development Block Grant	93.575	30,218,954
Child Care Mandatory and Matching Funds	93.596	2,773,779
Total Child Care Cluster		<u>32,992,733</u>
Department of Health and Human Services:		
California Children's Fund:		
People and Communities Changing Tomorrow – Children's Network	93.283	652,542
California Department of Alcohol and Drug Program:		
Substance Abuse Prevention and Treatment Block Grant	93.959	9,183,675
California Department of Health Services:		
Project Grants for Tuberculosis Control	93.116	233,833
Acquired Immunodeficiency Syndrome	93.118	245,730
Childhood Immunization Grant	93.268	313,592
HIV Care Formula Grant – Title II	93.917	641,971
Project Lean – Food on the Run	93.991	40,000
Maternal and Child Health Services Block Grant	93.994	848,680
California Department of Mental Health:		
Projects for Assistance in Transition from Homelessness	93.150	115,838
Mental Health Services Block Grant (1)	93.958	2,866,633
California Department of Social Services:		
Healthy Schools/Healthy Communities	93.151	275,145
Family Preservation and Support Services	93.556	2,117,426
Temporary Assistance to Needy Families (1)	93.558	244,920,555
Child Support Enforcement	93.563	21,081,048
Refugee and Entrant Assistance	93.566	89,371
Adoption Incentive Payments	93.603	245,041
Child Welfare Services – State Grants	93.645	1,713,129
Foster Care – Title IV – E	93.658	50,172,700
Foster Care – Title IV – E – PRB	93.658	7,938,617
		<u>58,111,317</u>
Adoption Assistance (1)	93.659	5,813,809
Independent Living Skills	93.674	2,444,522
California Department on Aging:		
Special Programs for the Aging – Title VII-B	93.041	2,824
Special Programs for the Aging – Title III, Part F	93.043	38,938
Family Caregiver	93.052	172,760
Health Care Financing Research Demonstrations Project	93.779	38,689

**COUNTY OF SAN BERNARDINO, CALIFORNIA**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

<b>Federal grantor/pass-through grantor program name</b>	<b>CFDA number</b>	<b>Federal expenditures</b>
California Family Planning Commission:		
Family Planning Service – Title X	93.217	\$ 521,100
Health Resources and Services Administration:		
Healthy Start II Project	93.926E	250,638
Healthy Start II – Eliminating Racial and Ethnic Disparity	93.926B	16,803
		<u>267,441</u>
Direct Programs:		
Head Start Program	93.600	28,361,386
HIV Cluster – HIV Emergency Relief Formula Grant Title I (1)	93.914	7,190,821
Grants to Provide Outpatient Services for HIV Disease	93.918	596,084
Total Department of Health and Human Services		<u>389,143,900</u>
Department of Housing and Urban Development:		
City of Riverside:		
Housing Opportunities for Persons with Aids (HOPWA)	14.241	759,657
Direct Programs:		
Community Development Entitlement and Small Cities Cluster:		
Community Development Block Grant (1)	14.218	10,276,535
Emergency Shelter Grant Program	14.231	217,251
HOME Investment Partnerships Program	14.239	4,037,726
Neighborhood Initiative Program	14.246	7,560,894
Total Department of Housing and Urban Development		<u>22,852,063</u>
Department of Justice:		
California Board of Corrections:		
Violent Offender Incarceration Grant	16.586	9,017,420
California Office of Criminal Justice and Planning:		
Juvenile Accountability Incentive Grant	16.523	532,492
Elder Abuse Advocacy and Outreach Program	16.575	138,838
Special Emphasis Victim Witness Assistance Program	16.575	78,114
Victim Witness Assistance Program	16.575	446,765
		<u>663,717</u>
Byrne Formula Grant – Drug Endangered Children	16.579	10,191
Marijuana Suppression Program	16.579	242,000
Street Enforcement and Prosecution Program	16.579	1,174,461
		<u>1,426,652</u>
Edward Byrne Memorial Grant	16.580	963,965
Drug Enforcement Administration:		
Domestic Cannabis Eradication/Suppression Program	16.000	50,000

**COUNTY OF SAN BERNARDINO, CALIFORNIA**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

Federal grantor/pass-through grantor program name	CFDA number	Federal expenditures
Direct Programs:		
Anti-Money Laundering Program	16.000	\$ 159,203
Federal Asset Forfeitures Program	16.000	1,587,586
		<u>1,746,789</u>
Domestic Preparedness Equipment Support Program	16.007	179,824
Local Law Enforcement Block Grant	16.592	308,042
Community Prosecution Grant	16.609	10,404
Cops More Grant (1)	16.710	3,348,381
Total Department of Justice		<u>18,247,686</u>
Department of Labor:		
California Department on Aging:		
Senior Community Service Employment Program – Title V	17.235	483,181
California Employment Development Department:		
Welfare-to-Work	17.253	3,599,382
Workforce Investment Act	17.255	18,382,340
National Council on Aging:		
Senior Community Service Employment Program – Title V	17.235	327,514
Total Department of Labor		<u>22,792,417</u>
Department of the Interior – Bureau of Land Management:		
State Controller's Office:		
Payment in Lieu of Tax	15.226	1,433,507
Department of the Interior – Bureau of Reclamation:		
Direct Programs:		
Grand Canyon Sedimentation, Vegetation, and Avian Use Study	15.000	67,654
Reclamation and Water Reuse Program	15.504	969,322
Southwestern Willow Flycatcher Field Study	15.BCD	352,184
Total Department of the Interior – Bureau of Reclamation		<u>1,389,160</u>
Department of Transportation:		
California Department of Transportation:		
Highway Planning and Construction Cluster – Highway Planning and Construction Grant	20.205	12,728,310
Direct Program:		
Airport Improvement Program	20.106	4,482,493
Total Department of Transportation		<u>17,210,803</u>
Environmental Protection Agency:		
State Water Resources Control Board:		
State Underground Storage Tanks Program	66.804	143,464
Federal Emergency Management Agency:		
State Department Office of Emergency Services:		
Disaster Assistance – Transportation	83.544	27,490

**COUNTY OF SAN BERNARDINO, CALIFORNIA**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

<b>Federal grantor/pass-through grantor program name</b>	<b>CFDA number</b>	<b>Federal expenditures</b>
Institute of Museum and Library Services:		
California State Library:		
Library Services and Construction Act	84.154	\$ 225,000
Office of National Drug Control Policy:		
County of Riverside:		
High Intensity Drug Trafficking Area – Riverside Methamphetamine Task Force	16.000	675,000
Direct Program:		
High Intensity Drug Trafficking Area	16.000	778,936
Total Office of National Drug Control Policy		1,453,936
United States Army Corp. of Engineers:		
Direct Program:		
San Timeteo Creek County Flood Control Project Loan (1)	12.000	5,000,000
United States Marshal Office:		
Direct Program:		
Federal Inmates (1)	16.000	13,702,719
Total expenditures of federal awards		\$ 723,449,688

(1) Denotes a major federal financial assistance program.

See accompanying notes to schedule of expenditures of federal awards and independent auditors' report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133.

## **COUNTY OF SAN BERNARDINO, CALIFORNIA**

### **Notes to Schedule of Expenditures of Federal Awards**

Year ended June 30, 2002

**(1) General**

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of the County of San Bernardino, California (the County), except for those programs operated by the Community Services Department, which was audited by other auditors engaged by the County. The aforementioned department is included in the County's basic financial statements; however, excluded from the schedule of expenditures of federal awards. A separate single audit report is issued for the Community Services Department. Federal awards received directly from federal agencies as well as federal awards passed through the State of California and various agencies are included in this schedule. The County's reporting entity is defined in note 1 to the County's basic financial statements.

**(2) Basis of Accounting**

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting, which is described in note 1 to the County's basic financial statements.

**(3) Relationship to Basic Financial Statements**

Except for the omission of the grant programs of the Community Services Department, amounts reported in the accompanying schedule of expenditures of federal awards agree, in all material respects, to amounts reported within the County's basic financial statements.

Federal award revenues are reported principally in the County's basic financial statements as intergovernmental revenues in the General and Special Revenue Funds.

**(4) Relationship to Federal Financial Reports**

Amounts reported in the accompanying schedule of expenditures of federal awards agree, in all material respects, with the amounts reported in the related federal financial reports.

**(5) Outstanding Loans**

At June 30, 2002, outstanding loans under the Department of Interior – Bureau of Reclamation – Reclamation and Water Reuse Program are \$11,615,329.

**COUNTY OF SAN BERNARDINO, CALIFORNIA**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

**(6) Amount Provided to Subrecipients**

Of the federal expenditures presented in the accompanying schedule of expenditures of federal awards, the County provided federal awards to subrecipients as follows:

<b>Program title</b>	<b>CFDA number</b>	<b>Amount provided to subrecipients</b>
Child and Adult Care Food Program	10.558	\$ 172,044
Children's Five-A-Day Power Play Campaign	10.561	34,379
Nutrition Program for the Elderly	10.570	309,473
Community Development Block Grant	14.218	4,096,165
Emergency Shelter Grant Program	14.231	217,251
Home Investment Partnership Program	14.239	1,439,385
Housing Opportunities for Persons with Aids (HOPWA)	14.241	709,960
Federal Asset Forfeiture Program	16.000	68,774
High Intensity Drug Trafficking Area	16.000	42,717
Edward Byrne Memorial Grant	16.580	336,973
Local Law Enforcement Block Grant	16.592	49,492
Welfare-to-Work	17.253	2,193,211
Workforce Investment Act	17.255	11,087,254
Special Programs for the Aging – Title III, Part B	93.044	333,875
Special Programs for the Aging – Title III, Parts C1 and C2, Nutrition Services	93.045	1,256,893
Family Caregiver	93.052	63,291
Healthy Schools/Healthy Communities	93.151	135,467
People and Communities Changing Tomorrow – Children's Network	93.283	342,498
Family Preservation and Support Services	93.556	1,015,545
Head Start Program	93.600	1,445,645
Independent Living Skills	93.674	1,406,303
Medi-Cal Assistance Program	93.778	4,441,681
Health Care Financing Research Demonstrations Project	93.779	38,689
HIV Emergency Relief Formula Grant – Title I	93.914	5,956,970
HIV Care Formula Grant – Title II	93.917	385,614
Healthy Start Initiative	93.926B	49,900
Mental Health Services Block Grant	93.958	1,087,991
Substance Abuse Prevention and Treatment Block Grant	93.959	6,830,070
Maternal and Child Health Services Block Grant	93.994	22,860
Total amount provided to subrecipients		\$ <u>45,570,370</u>

**COUNTY OF SAN BERNARDINO, CALIFORNIA**

**Schedule of Findings and Questioned Costs**

**Year ended June 30, 2002**

**(1) Summary of Auditors' Results**

**(a) Type of Report on the Financial Statements**

Unqualified opinion.

**(b) Reportable Conditions Identified at the Financial Statement Level**

None reported.

**(c) Material Weakness at the Financial Statement Level**

None.

**(d) Noncompliance Material to the Financial Statements**

None.

**(e) Reportable Conditions Identified at the Major Program Level**

Yes. See findings 02-01, 02-02, 02-09, 02-23, and 02-33 under item 3 below.

**(f) Material Weakness at the Major Program Level**

None.

**(g) Type of Report on Compliance for Major Programs**

Unqualified opinion.

**(h) Any Findings Required by Section .510(a) of Circular A-133**

See findings 02-01 through 02-46 under item 3 below.

**(i) Identification of Major Programs**

<b>CFDA number(s)</b>	<b>Name of federal program or cluster</b>
93.778	Medicaid Cluster
10.551, 10.561	Food Stamps Cluster
93.044, 93.045	Aging Cluster
93.958	Mental Health Services Block Grant
93.558	Temporary Assistance to Needy Families
93.659	Adoption Assistance
93.914	HIV Cluster – HIV Emergency Relief Formula Grant Title I
14.218	Community Development Block Grant
16.710	Cops More Grant
12.000	San Timeteo Creek County Flood Control Project Loan
16.000	Federal Inmates

**COUNTY OF SAN BERNARDINO, CALIFORNIA**

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

**(j) Dollar Threshold Used to Distinguish Between Type A and Type B Programs**

\$3,000,000.

**(k) Low-Risk Auditee Determination**

The County is considered a high-risk auditee.

**(2) Findings and Questioned Costs Relating to the Financial Statements that Are Required to Be Reported in Accordance with *Government Auditing Standards***

None noted.

**(3) Federal Award Findings and Questioned Costs**

See attached findings 02-01 through 02-46.



## COUNTY OF SAN BERNARDINO, CALIFORNIA

### Schedule of Findings and Questioned Costs

Year ended June 30, 2002

#### **Finding 02-01**

**Program:** Food Stamps Cluster

**CFDA No.:** 10.551 and 10.561

**Passed-through:** California Department of Health Services

**Award No.:** CFL 01/02-08, 01/02-09; 01/02-20

**Award Year:** Fiscal year 2001/02

**Compliance Requirement:** Allowable Costs and Activities

**Questioned Costs:** Unknown

#### **Criteria:**

The fiscal year 2002 grant agreement with the State of California requires that the County submit the County Expense Claim (CEC) for program administrative costs to the State of California on a quarterly basis for reimbursement.

#### **Condition Found:**

Caseworkers complete time study forms, which are compiled into a time study summary report that is used to allocate the payroll expenditures to the various federal programs in the CEC. Of the 15 employee time study transactions selected from the quarterly time study reports for test work, we noted 5 transactions in which the employee's Time and Labor Report (TLR) did not agree to the quarterly time study summary reports. The TLR is completed and signed by the employee and reviewed and signed by a supervisor each pay period. We noted instances in which the employee's leave hours per the TLR did not agree to the time study summary report, whereby such hours were shown as allocable time.

#### **Effect:**

As a result of these discrepancies, the ratios used to allocate payroll expenditures to the various federal programs in the CEC, which are derived from the data in the time study summary reports, are inaccurate. The amount of the discrepancy is currently not known. However, the effect of this control weakness is mitigated by the documented review of the CED for fluctuations in excess of 15%.

#### **Recommendation:**

We recommend that the County review the current preparation process for the quarterly time study summary reports and implement formal reconciliation and review procedures of the TLR and the time study summary reports in order to ensure the accuracy of the time study summary reports. This will help ensure that the amounts claimed for reimbursement for each of the federal programs included in the CEC are accurate.

## COUNTY OF SAN BERNARDINO, CALIFORNIA

### Schedule of Findings and Questioned Costs

Year ended June 30, 2002

#### **Finding 02-02**

**Program:** Food Stamps Cluster

**CFDA No.:** 10.551 and 10.561

**Passed-through:** California Department of Health Services

**Award No.:** CFL 01/02-08, 01/02-09; 01/02-20

**Award Year:** Fiscal year 2001/02

**Compliance Requirement:** Special Test and Provision – ADP System for Food Stamps

**Questioned Costs:** \$0

#### **Criteria:**

The *March 2002 Office of Management and Budget (OMB) OMB Circular A-133 Compliance Supplement* requires that the County (1) accurately and completely process and store all case file information for eligibility determination and benefit calculation; (2) automatically cut off households at the end of their certification period unless recertified; and (3) provide data necessary to meet federal issuance and reconciliation reporting requirements.

#### **Condition Found:**

In establishing a new case, the client is certified to receive benefits for a one-year period (certification period). No benefits are to be issued after the certification period end date. The client must go through the recertification process in order to continue receiving benefits. During the certification period, the client must submit to the County's Human Services System (HSS) a CW7 form on a monthly basis, which provides updated information on such items as household income, expenses, assets, liabilities, etc. CW7s are due on the fifth working day following the reporting month-end. CW7s must be reviewed and signed by the eligibility worker (EW) by the first working day of the month following the client's due date. If a CW7 is not received by that date, the client's benefits are to be terminated. A TAD 278 form is then completed by the EW for any necessary changes in case information based on the current CW7 submitted and the form is processed for input into the welfare database system. Changes in the system can also be made directly on-line by the EW if it only involves an income/deduction amount. The TAD 278 form, if completed, is then processed for input into the welfare database system. Note that termination of benefits must be initiated by the EW through completion of the TAD 278 form and is not automatically performed by the system.

Of the 60 cases selected for test work, we noted the following:

- One case where the information on the TAD 278 form and the B-Sum (client budget) form did not agree to the information reported on the most current monthly CW7 report. As a result, the monthly benefit amount was understated by \$184.
- One case where the CW7 was reviewed and signed by the EW after the County's specified time period (30 days beyond the deadline date).
- One case where the TAD 278 form was not signed by the EW.

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#### **Effect:**

If CW7s are not properly obtained from clients on a monthly basis and reviewed by the EW within the County's specified time period as required, case data may not be current in the system, which could lead to eligibility continuation errors, inaccurate benefit calculations, benefit overpayments, and increased error rates for the County. This situation could also result in potential fines from the State of California for excessive error rate percentages.

#### **Recommendation:**

We recommend that the County implement a procedure to verify that the most recent monthly CW7 report information is updated in the welfare database and that the EW initial the CW7 report evidencing that such verification has been performed. Further, we also recommend that the EW review the case data input into the system by comparing a system printout of the TAD 278 form to the manually prepared TAD 278 form in order to verify the accuracy of the data input. Once reviewed, the EW should document such review by initialing the system generated TAD 278 form and maintaining it in the case file. This will help ensure that case data is properly updated in the system, benefits are being accurately calculated using current information, and that benefit overpayments and error rates are minimized.

#### **Finding 02-03**

**Program:** Food Stamps Cluster

**CFDA No.:** 10.551 and 10.561

**Passed-through:** California Department of Health Services

**Award No.:** CFL 01/02-08, 01/02-09; 01/02-20

**Award Year:** Fiscal year 2001/02

**Compliance Requirement:** Special Test and Provision – ADP System for Food Stamps

**Questioned Costs:** \$0

#### **Criteria:**

The *March 2002 OMB Circular A-133 Compliance Supplement* requires that the County (1) accurately and completely process and store all case file information for eligibility determination and benefit calculation; (2) automatically cut off households at the end of their certification period unless recertified; and (3) provide data necessary to meet federal issuance and reconciliation reporting requirements.

#### **Condition Found:**

We noted that in order to establish a new case or update an existing case in the welfare database system, the EW completes the TAD 278 form. The form is then forwarded to HSS Auditing for review and then to the third-party service provider (Inland Executive Services) where the information from the form is input into the system by keypunch operators. We noted that there is no review of the data input into the system for accuracy.

#### **Effect:**

Case data may not be current in the system, which could lead to eligibility continuation errors, inaccurate benefit calculations, benefit overpayments, and increased error rates for the County. This situation could also result in potential fines from the State of California for excessive error rate percentages

## COUNTY OF SAN BERNARDINO, CALIFORNIA

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#### **Recommendation:**

We recommend that the EW review the case data input into the system by comparing a system printout of the TAD 278 form to the manually prepared TAD 278 form in order to verify the accuracy of the data input. Once reviewed, the EW should document such review by initialing the system generated TAD 278 form and maintaining it in the case file. This will help ensure the accuracy of the case data in the system which is utilized to calculate benefits.

#### **Finding 02-04**

**Program:** Community Development Block Grant

**CFDA No.:** 14.218

**Award No.:** B01UC060503

**Award Year:** 7/01/01 – 6/30/02

**Compliance Requirement:** Reporting

**Questioned Costs:** \$0

#### **Criteria:**

Per the *March 2002 OMB Circular A-133 Compliance Supplement*, the County is required to submit the Federal Cash Transactions Report (SF-272) on a quarterly basis. Additionally, the sections are included in the Consolidated Annual Performance and Evaluation Report (CAPER) for the 2001-2002 Action Plan and auditors are expected to test information extracted from the Integrated Disbursement and Information System (IDIS):

- CDBG Financial Summary for Year 2001 (C04PR26)
- CDBG Activity Summary Report (GPR) for Program Year 2001 (C04PR03)

#### **Condition Found:**

In performing reporting test work, we noted the following:

- All four of the Federal Cash Transactions Reports (SF-272) were not being prepared according to the Standard Form 272 instructions. Additionally, there was a mathematical error in one of the reports completed.
- The CDBG Financial Summary for Year 2001 (C04PR26) contained an amount for Planning and/or Administrative unliquidated obligations that could not be traced to the prior year (2000) summary report.
- Two drawdowns on the CDBG Activity Summary Report (C04PR03) could not be matched to expenditures on the ECD Project Tracking Report.
- The reconciliation of the Financial Accounting System (FAS) to the 2001-02 CDBG Financial Summary produced a difference of \$10,611.

#### **Effect:**

The SF-272, C04PR26, C04PR03 and the CDBG Financial Summary are not consistently in agreement with the underlying accounting records.

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#### **Recommendation:**

We recommend that the County implement procedures to prepare the Federal Cash Transactions Report (SF-272) according to the Standard Form 272 instructions. This would include adding program income to the report, verifying that totals on the Standard Form 272-A correspond with amounts on SF-272, and that the reports calculate properly. We also recommend that the County review all line amounts on the CDBG Financial Summary report to ensure that they are properly totaled and/or trace to prior reports, and proper documentation is maintained for the amounts. In addition, we recommend that the County ensure that drawdowns match expenditures on the ECD Project Tracking Report. Finally, we recommend that the County implement procedures to reconcile the Financial Accounting System to the ECD Project Tracking Report. This would include documenting all adjustments to the ECD Project Tracking Report that are not processed through the FAS system and any adjustments made by HUD for collections of loan payments in arrears.

#### **Finding 02-05**

**Program:** Community Development Block Grant

**CFDA No.:** 14.218

**Award No.:** B01UC060503

**Award Year:** 7/01/01 – 6/30/02

**Compliance Requirement:** Cash Management

**Questioned Costs:** \$55,238

#### **Criteria:**

The Office of Management and Budget, Attachment-102 (Paragraph 2.a) requires that the County's methods and procedures for transferring funds to subrecipients shall minimize the time elapsing between the transfer to recipient and the recipient's need for the funds. Subrecipients are funded on a reimbursement basis which requires program costs to be paid with the entity's funds before reimbursement is requested from HUD.

#### **Condition Found:**

In performing cash management test work, we noted one IDIS drawdown totaling \$311,943 with an approved draw date of April 25, 2002, that included subrecipients' expenditures of \$55,238 that had been incurred but had not yet been paid for as of the drawdown date. Thus, such expenditures were not submitted to the County for reimbursement until after the drawdown date. The dates on the reimbursement request form submitted by the subrecipient, the review by the Fiscal Section and the Program Section, and the signature of the approving authority all occurred subsequent to the IDIS drawdown date.

Documentation reviewed for the drawdown indicates that management in trying to meet the timeliness requirements as set forth in 24 CFR 570.902 contributed to this exception. The standard of timeliness is that 60 days prior to the end of the program year, the total amount of entitlement grant funds available in the Community Development Block Grant (CDBG) account is no more than 1.5 times the current program year funding level. In meeting this requirement, management identified future program costs to be incurred and subrecipient costs that were incurred as of the drawdown date but had not been submitted to the County for reimbursement. The Fiscal Section was instructed to draw funds based on management's analysis.

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#### **Effect:**

Drawdowns may be made for expenditures that have not yet been incurred.

#### **Recommendation:**

We recommend that the County improve the monitoring of actual expenditures incurred (direct costs and subrecipient costs) and the timeliness of subrecipients' submissions of requests for cost reimbursements in an effort to comply with the funding level requirements under the grant. In accordance with the cooperative agreement between the County and the subrecipients, the subrecipients are required to submit monthly cost reimbursement claims. The Fiscal Section should provide timely feedback to the Program Section when a subrecipient's monthly report of grant expenditures and request for reimbursement are not filed in a timely manner so program staff can follow up. This will help ensure that the County is meeting the established cash management goals and the timeliness test requirements under the grant.

#### **Finding 02-06**

**Program:** Cops More Grant

**CFDA No.:** 16.710

**Award No.:** 1999CLWX0255

**Award Year:** 4/01/99 – 12/31/03

**Compliance Requirement:** Equipment and Real Property Management

**Questioned Costs:** \$0

#### **Criteria:**

The *March 2002 OMB Circular A-133 Compliance Supplement* requires that:

- Records are maintained on all equipment with a useful life of more than one year and an acquisition cost of \$5,000 or more per unit.
- A physical inventory of equipment is taken at least once every two years and is reconciled to the equipment records.
- An appropriate control system is used to safeguard equipment, and equipment is adequately maintained.

Furthermore, in accordance with County policy, each department head is required to annually file a certified inventory of property as of March 31<sup>st</sup> by the following May 15<sup>th</sup> with the Auditor/Controller.

#### **Condition Found:**

In performing equipment test work, we noted the following:

- The County Sheriff's Department last performed a physical inventory in April 2000.
- Thirteen printers (HP 200 Eltron P520C) and sixteen camera sub-systems purchased in 2002 for a total cost of \$97,755 and \$159,985, respectively, were improperly expensed in the current year instead of capitalized. As a result, such assets are not identified with an asset tag and are not included on the County's capital assets listing as of June 30, 2002.

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- A computer server (NT Server 1000) included on the County's capital assets listing as of June 30, 2002 did not contain an asset tag number to identify it.

#### **Effect:**

Capital assets may not be included or identified as federally funded in the County's property records.

#### **Recommendation:**

We recommend that the Sheriff's Department comply with existing County procedures to ensure that a physical inventory is performed once every two years, as required. In addition, we recommend that the County review all equipment purchases each year to ensure that they are properly capitalized in accordance with the County's capitalization policy. Finally, we recommend that the County implement a procedure to ensure assets are immediately tagged upon receipt and that assets purchased with federal funds are properly identified and tracked in the capital assets system.

#### **Finding 02-07**

**Program:** Cops More Grant

**CFDA No.:** 16.710

**Award No.:** 1999CLWX0255

**Award Year:** 4/01/99 – 12/31/03

**Compliance Requirement:** Reporting

**Questioned Costs:** \$0

#### **Criteria:**

The *March 2002 OMB Circular A-133 Compliance Supplement* requires that quarterly Financial Status Reports (Form SF269A) be prepared either on a cash basis or accrual basis of accounting. The County has elected to prepare the reports using the cash basis. In accordance with the instructions, reports prepared on the cash basis should calculate expenditures as the sum of actual cash disbursements for direct purchases of goods and services.

#### **Condition Found:**

In performing reporting test work, we noted two reports in which the County had reported equipment and technology expenditures of \$191,864 and \$839,257, respectively, that had been purchased but not paid for as of the respective report date.

#### **Effect:**

Expenditures of federal funds are not always reported in the correct year.

#### **Recommendation:**

We recommend that the County implement formal procedures to ensure that reports are properly prepared in accordance with the basis elected by the County. This will help ensure the accuracy of federal financial reports and ensure compliance with federal requirements related to reporting.

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#### **Finding 02-08**

**Program:** Cops More Grant

**CFDA No.:** 16.710

**Award No.:** 1999CLWX0255

**Award Year:** 4/01/99 – 12/31/03

**Compliance Requirement:** Matching

**Questioned Costs:** \$0

#### **Criteria:**

The *March 2002 OMB Circular A-133 Compliance Supplement* requires the County to establish controls to meet the matching requirement of the COPS MORE '98 grant received from the Department of Justice.

#### **Condition Found:**

While performing internal control test work over this compliance requirement, we noted that the County does not have controls in place to identify and track matching funds for this program. We noted that the County was unaware of the source of funds that was used to match this grant. In addition, we noted that in all the documentation that was presented to the Board of Supervisors for their approval, it was reported that U.S. Marshall federal funds would be used to provide the match. However, it was discovered that State Criminal Alien Assistance Program (SCAAP) funds were used instead.

There was only one grant for this program and thus this condition relates to the entire population.

#### **Effect:**

For fiscal year June 30, 2002, SCAAP funds were allowable funds to be used to provide the match on this grant. However, the internal control system surrounding this requirement is not sufficient to ensure that only allowable funding sources are charged. Thus, future noncompliance could result.

#### **Recommendation:**

We recommend that the County do the following to establish a stronger internal control system for the COPS MORE '98 matching requirement:

- 1) Create a trust fund to exclusively deposit and transfer matching funds for the COPS MORE '98 Grant.
- 2) Deposit and transfer only allowable sources intended for matching purposes into the newly created COPS MORE '98 trust fund.
- 3) Develop procedures to clearly show the source of the match, the amount of the match, and when the match was contributed.



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#### **Finding 02-09**

**Program:** Temporary Assistance to Needy Families

**CFDA No.:** 93.558

**Passed-through:** California Department of Social Services

**Award No.:** CFL 01/02-24

**Award Year:** Fiscal year 2001/02

**Compliance Requirement:** Allowable Costs and Activities

**Questioned Costs:** Unknown

#### **Criteria:**

The fiscal year 2002 grant agreement with the State of California requires that the County submit the County Expense Claim (CEC) for reimbursement of program administrative costs to the State of California on a quarterly basis.

#### **Condition Found:**

The County submits the County Expense Claim (CEC) for reimbursement of program administrative costs to the State of California on a quarterly basis. Caseworkers complete time study forms, which are compiled into a time study summary report that is used to allocate the payroll expenditures to the various federal programs in the CEC. Of the 18 employee time study transactions selected from the quarterly time study reports for test work, we noted 10 transactions in which the employee's Time and Labor Report (TLR) did not agree to the quarterly time study summary reports. The TLR is completed and signed by the employee and reviewed and signed by a supervisor each pay period. We noted instances where a) the employee's total nonallocable hours per the time study summary report did not agree to the TLR (i.e., vacation, holiday, and sick leave) and b) the employee's break time was coded as nonallocable instead of as allocable time.

#### **Effect:**

As a result of these discrepancies, the ratios used to allocate payroll expenditures to the various Federal programs in the CEC, which are derived from the data in the time study summary reports, are inaccurate. The amount of the discrepancy is currently not known. However, the effect of this control weakness is mitigated by the documented review of the CEC for fluctuations in excess of 15%.

#### **Recommendation:**

We recommend that the County review the current preparation process for the quarterly time study summary reports and implement formal reconciliation and review procedures of the TLR and the time study summary reports in order to ensure the accuracy of the time study summary reports. This will help ensure that the amounts claimed for reimbursement for each of the federal programs included in the CEC are accurate.

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#### **Finding 02-10**

**Program:** Temporary Assistance to Needy Families

**CFDA No.:** 93.558

**Passed-through:** California Department of Social Services

**Award No.:** CFL 01/02-24

**Award Year:** Fiscal year 2001/02

**Compliance Requirement:** Eligibility

**Questioned Costs:** \$0

#### **Criteria:**

The *March 2002 OMB Circular A-133 Compliance Supplement* requirements for Eligibility require that the pass-through entity determine client eligibility to provide reasonable assurance that amounts are provided to or on behalf of eligible clients in accordance with federal requirements.

#### **Condition Found:**

Of the 60 cases selected for eligibility test work, we noted the following:

- 6 cases where the monthly status reports (CW7) were not reviewed and signed by the caseworker
- 3 cases where the benefit amount received was incorrect due to incorrect data on TAD 278 (i.e., number of eligible persons in the household, income amount, or income deductions allowed) resulting in a total net underpayment of \$1,562.00
- 1 case where the annual redetermination was not performed by the caseworker
- 2 cases where the recipient continued receiving benefits after the recipient was determined to be ineligible resulting in a total net underpayment of \$1,036.00
- 3 cases where benefits were not properly adjusted based on information from the IEVS system resulting in an overpayment of \$10,308.00
- 12 cases where the TAD 60 and/or TRAC system screen-print (evidencing that TRAC system has been updated) was missing from the file
- 8 cases where verification documents (i.e., birth certificate, social security card, immunization records, bank statements) were missing from the file
- 6 cases where there was an incorrect work registration code on the TAD 278
- 3 cases where the applicant did not receive the required referrals and resources for potentially life-threatening issues, as evidenced by the caseworker not completing the required section of the application form
- 1 case where the Notice of Action form was not sent to applicant by the caseworker to inform applicant of denial determination
- 12 cases where the work registration code was not updated in the TRAC system
- 1 case where the TAD 278 and/or DataGroup 42 screen print was missing from the file.

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#### **Effect:**

Case data may not be current in the case file or the system, which could lead to initial and continuation eligibility errors, inaccurate benefit calculations, and benefit overpayments.

#### **Recommendation:**

We recommend that the County clarify its established policies and procedures with regard to initial and ongoing eligibility determination, required adjustments to benefits, required documentation, maintenance of participant files, and the TRAC system and ensure that such policies and procedures are formally documented and strictly adhered to by County personnel.

We further recommend that the County implement a process to ensure that the TRAC system is updated monthly. This could be performed as part of the monthly review and processing of CW7s, penalty assessments, and reported changes in the WTW participation requirements by caseworkers.

#### **Finding 02-11**

**Program:** Medicaid Cluster

**CFDA No.:** 93.778

**Passed-through:** California Department of Mental Health

**Award No.:** 01-71246-000 (Performance Contract) & 01-71184-000 (State Managed Care Contract)

**Award Year:** 2001-2002

**Compliance Requirement:** Allowable Costs and Activities

**Questioned Costs:** \$409.50

#### **Criteria:**

The fiscal year 2002 grant agreement with the State of California requires that grant funds are to be used for allowable costs and activities in accordance with the *March 2002 OMB Circular A-133 Compliance Supplement*.

#### **Condition Found:**

Of the 43 patient files selected for allowable costs and eligibility test work, we noted the following:

- 3 files where the units of service were not documented in the patient file totaling expenditures of \$204.75; and
- 3 files where the diagnosis sheet did not indicate the qualifying diagnostic code totaling expenditures of \$204.75.

#### **Effect:**

In order to validate whether a service is allowable, the required documentation must be properly maintained in the file. As a result, these services totaling \$409.50 should have been considered unallowable.

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#### **Recommendation:**

We recommend that the County implement a formal procedure to reiterate to the providers the requirements of documentation and maintenance of patient files in order to properly support the amounts requested for reimbursement. Further, for those providers who consistently fail to meet these requirements, we recommend that the County implement a formal process requiring that providers submit copies of supporting documentation along with the related request for reimbursement.

#### **Finding 02-12**

**Program:** Medicaid Cluster

**CFDA No.:** 93.778

**Passed-through:** California Department of Mental Health

**Award No.:** 01-71184-000 (State Managed Care Contract)

**Award Year:** 2001-2002

**Compliance Requirement:** Allowable Costs and Activities

**Questioned Costs:** \$351.00

#### **Criteria:**

The fiscal year 2002 grant agreement with the State of California requires that grant funds are to be used for allowable costs and activities in accordance with the *March 2002 OMB Circular A-133 Compliance Supplement*.

#### **Condition Found:**

We noted four patient files where services provided by fee-for-service providers had not been entered into the County's SIMON system and thus were not submitted to the State for reimbursement. However, we noted that the County had reimbursed the provider for such services. We also noted that there was not a procedure in place to review the Weekly MHS Posting Module Report, which identifies posting errors into the SIMON system.

#### **Effect:**

As a result, the SIMON system is not properly capturing all transactions to be submitted to the State for reimbursement. Additionally, the County's cash flow position is impaired as the County has already reimbursed the provider for the service.

#### **Recommendation:**

We recommend that the County implement a formal procedure to review the Weekly MHS Posting Module Report and follow up and resolve the posting errors on a timely basis. Further, we recommend that a procedure is implemented to verify that reimbursement made by the County to the fee-for-service provider has also been submitted to the State for reimbursement. This will help ensure that allowable services are properly reflected in the SIMON system and submitted to the State for reimbursement on a timely basis.

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#### **Finding 02-13**

**Program:** Medicaid Cluster

**CFDA No.:** 93.778

**Passed-through:** California Department of Mental Health

**Award No.:** 01-71246-000 (Performance Contract)

**Award Year:** 2001-2002

**Compliance Requirement:** Allowable Costs and Activities

**Questioned Costs:** \$0

#### **Criteria:**

The fiscal year 2002 grant agreement with the State of California requires that grant funds are to be used for allowable costs and activities in accordance with the *March 2002 OMB Circular A-133 Compliance Supplement* and *California Code of Regulations Title 22* (Title 22). Title 22 requires that if Late Reason Codes "A" through "F" are used, a "Good Cause Certification" letter must be prepared and maintained on file by the provider.

#### **Condition Found:**

During our test work, we noted that providers do not always properly utilize Late Reason Codes or maintain the Good Cause Certification letter, as required, for late submissions of services for reimbursement.

#### **Effect:**

Failure to maintain the required documentation on file could result in such late services submitted for reimbursement to be deemed unallowable.

#### **Recommendation:**

We recommend that the County provide training to the providers on the appropriate use of Late Reason Codes. Further, we also recommend that the Medical Record Review Tool and Summary Form utilized by the County's Compliance Unit be updated to include review of this element.

#### **Finding 02-14**

**Program:** Medicaid Cluster

**CFDA No.:** 93.778

**Passed-through:** California Department of Mental Health

**Award No.:** 01-71246-000 (Performance Contract) & 01-71184-000 (State Managed Care Contract)

**Award Year:** 2001-2002

**Compliance Requirement:** Client Eligibility

**Questioned Costs:** \$1,146.78

#### **Criteria:**

The *March 2002 OMB Circular A-133 Compliance Supplement* requirements for Eligibility require that the pass-through entity determine client eligibility to provide reasonable assurance that amounts are provided to or on behalf of eligible clients in accordance with federal requirements.

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#### **Condition Found:**

Of the 43 patient files selected for eligibility test work, we noted the following:

- 3 files where the patient assessment form was not signed and dated by the physician and/or the patient.
- 7 files where the physical assessment form was not signed and dated by the physician.
- 1 file where the diagnosis sheet was not signed and dated by the physician.
- 4 files where the client plan was not signed and dated by the physician and/or patient.
- 5 files where the consent for outpatient treatment form was not signed and dated by the physician and/or the patient.
- 2 files that did not contain physical assessment forms.
- 2 files that did not contain consent for outpatient treatment forms.

The above exceptions aggregated to \$1,146.78 in service costs.

Further, of the exceptions noted above, we also noted nine patient files with:

- 1 file where the diagnosis sheet was signed six months after the date of service. Thus the client should have been deemed ineligible for services rendered during that six month period.
- Various forms that were presigned by the physician and photocopied for the patient file.
- Alteration of dates and/or signatures using correction fluid.

#### **Effect:**

As a result, these clients should have been ineligible for services.

#### **Recommendation:**

We recommend that the County implement a formal procedure to reiterate to the providers the requirement that all services, including the two initial visits, must meet program requirements in order to qualify for reimbursement. We further recommend that the County implement a procedure to ensure that all required forms utilized for eligibility determination are completed by the provider in accordance with established timeframes. This will help ensure compliance with federal requirements.

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#### **Finding 02-15**

**Program:** Medicaid Cluster

**CFDA No.:** 93.778

**Passed-through:** California Department of Mental Health

**Award No.:** 01-71246-000 (Performance Contract)

**Award Year:** 2001-2002

**Compliance Requirement:** Reporting

**Questioned Costs:** \$0

#### **Criteria:**

The fiscal year 2002 grant agreement with the State of California requires that the County submit the monthly claim report within 30 days following the reporting month.

#### **Condition Found:**

Of the 12 monthly claim reports submitted to the State for fiscal year 2002, we noted 1 report that was submitted nine days after the due date. The County's Application Services Group (ASG) personnel are aware of the deadline but lacked the expertise and authorization to prepare the electronic transmission to the State. The new ASG manager has since spearheaded the documentation of these processes as well as requisite cross-training in an attempt to ensure nonrecurrence.

#### **Effect:**

Lack of formal procedures and employee training regarding report submission may lead to future noncompliance.

#### **Recommendation:**

We recommend that the County provide formal training to the necessary personnel on electronic submission procedures in order to ensure compliance with federal requirements.

#### **Finding 02-16**

**Program:** Medicaid Cluster

**CFDA No.:** 93.778

**Passed-through:** California Department of Mental Health

**Award No.:** 01-71246-000 (Performance Contract) & 01-71184-000 (State Managed Care Contract)

**Award Year:** 2001-2002

**Compliance Requirement:** Subrecipient Monitoring

**Questioned Costs:** \$0

#### **Criteria:**

The *March 2002 OMB Circular A-133 Compliance Supplement* requirements for Subrecipient Monitoring require that the pass-through entity monitor the subrecipient's activities to provide reasonable assurance that the subrecipient administers awards in compliance with federal requirements.

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#### **Condition Found:**

Of the 20 subrecipients selected for test work, we noted that the subrecipient contracts (provider contracts/ service agreements) do not contain provisions related to *OMB Circular A-133* compliance requirements.

#### **Effect:**

As a result, the County's subrecipients may not be in compliance with *OMB Circular A-133* compliance requirements.

#### **Recommendation:**

We recommend that the County review the existing standard provider contract/service agreement form to ensure that the required provisions of *OMB Circular A-133* are properly included. Further, we recommend that the County amend the existing contracts to include the required provisions of *OMB Circular A-133*.

#### **Finding 02-17**

**Program:** Medicaid Cluster

**CFDA No.:** 93.778

**Passed-through:** California Department of Mental Health

**Award No.:** 01-71246-000 (Performance Contract) & 01-71184-000 (State Managed Care Contract)

**Award Year:** 2001-2002

**Compliance Requirement:** Subrecipient Monitoring

**Questioned Costs:** \$0

#### **Criteria:**

The *OMB Circular A-133 Compliance Supplement* requirements for Subrecipient Monitoring require that the pass-through entity monitor the subrecipient's activities to provide reasonable assurance that the subrecipient administers awards in compliance with federal requirements.

#### **Condition Found:**

While performing compliance test work, it was noted that the County does not have a formal procedure for maintaining single audit reports from those subrecipients required to have one performed.

#### **Effect:**

Lack of formal procedures regarding subrecipients' single audit reports may lead to future noncompliance.

#### **Recommendation:**

We recommend that the County implement a procedure to obtain single audit reports for those subrecipients required to have one performed. This will help ensure that subrecipients are properly monitored to ensure compliance with federal requirements.



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#### **Finding 02-18**

**Program:** Medicaid Cluster

**CFDA No.:** 93.778

**Passed-through:** California Department of Mental Health

**Award No.:** 01-71184-000 (State Managed Care Contract)

**Award Year:** 2001-2002

**Compliance Requirement:** Special Tests and Provisions – Provider Eligibility

**Questioned Costs:** \$0

#### **Criteria:**

The *March 2002 OMB Circular A-133 Compliance Supplement* requirements for Provider Eligibility require that the pass-through entity determine provider eligibility to provide reasonable assurance that amounts are provided to eligible providers in accordance with federal requirements. Title 9, Division 1, Chapter 11, subchapter 1. Article 2, Section 1810.222 states that an “individual provider does not include licensed mental health professionals when they are acting as employees of any organizational provider or contractors of organizational providers other than the MHP.”

#### **Condition Found:**

The County’s Access Unit requires that reimbursement be made directly to the individual provider and not the corporation/agency with which the provider is affiliated. However, in performing test work, we noted that form W-9s and Request for Vendor Code forms were not consistently prepared by the County to allow for payment to the specified fee-for-service provider. We noted that payment was often made to the corporation/agency and not the individual provider. Additionally, we noted subsequent 1099 Forms issued by the County reflected total payments to these corporations/agencies and were not traceable to the credentialed individual provider in the County’s system. We also noted that the County does not have a contract with these corporations/agencies.

#### **Effect:**

As a result, the County appears to be disbursing funds to corporations/agencies without a contractual agreement in place.

#### **Recommendation:**

We recommend that the County implement formal procedures for completion of the W-9 and Request for Vendor Code forms. Further, completed Request for Vendor Code forms should be submitted to the Accounts Payable Section of the Auditor-Controller’s Office such that vendor codes can be assigned to individual providers in the system and be traceable to the 1099 Forms generated annually. This will help ensure that the County is reimbursing only credentialed providers with whom the County has a valid contract.

## COUNTY OF SAN BERNARDINO, CALIFORNIA

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Year ended June 30, 2002

#### **Finding 02-19**

**Program:** Medicaid Cluster

**CFDA No.:** 93.778

**Passed-through:** California Department of Mental Health

**Award No.:** 01-71184-000 (State Managed Care Contract)

**Award Year:** 2001-2002

**Compliance Requirement:** Special Tests and Provisions – Provider Eligibility

**Questioned Costs:** \$0

#### **Criteria:**

The *March 2002 OMB Circular A-133 Compliance Supplement* requirements for Provider Eligibility require that the pass-through entity determine provider eligibility to provide reasonable assurance that amounts are provided to eligible providers in accordance with federal requirements.

#### **Condition Found:**

Fee-for-service providers must complete the County's recredentialing process within one month following the expiration of the most recent two-year credentialing term. If the provider fails to complete the recredentialing process during this time period, the provider is removed from the County's active provider list and is no longer qualified to provide Medi-Cal services on behalf of the County. In performing test work, we noted three providers whose recredentialing was overdue by four to seven months. These providers were still classified as active on the County's list. Additionally, we noted that two of these providers were reimbursed by the County for services during this time.

#### **Effect:**

The County is reimbursing ineligible providers for services.

#### **Recommendation:**

We recommend that the County's Access Unit ensure that established policies and procedures related to monitoring and updating of the County's provider list are strictly adhered. Additionally, we recommend that a formal written procedure is implemented whereby the supervisor performs periodic reviews of the provider list in order to ensure that only eligible providers are coded as active and being utilized by the County.

## COUNTY OF SAN BERNARDINO, CALIFORNIA

### Schedule of Findings and Questioned Costs

Year ended June 30, 2002

#### **Finding 02-20**

**Program:** Medicaid Cluster

**CFDA No.:** 93.778

**Passed-through:** California Department of Mental Health

**Award No.:** 01-71184-000 (State Managed Care Contract)

**Award Year:** 2001-2002

**Compliance Requirement:** Special Tests and Provisions – Provider Health and Safety Standards

**Questioned Costs:** \$0

#### **Criteria:**

The *March 2002 OMB Circular A-133 Compliance Supplement* requirements for Provider Eligibility require that the pass-through entity determine that providers meet prescribed health and safety standards to provide reasonable assurance that medical services are provided in accordance with federal requirements.

#### **Condition Found:**

We noted that the County does not verify whether the fee-for-service providers meet the prescribed health and safety standards requirement. The credentialing process for these providers does not include a site visit; nor does the chart audit necessarily include a review for compliance with these standards.

#### **Effect:**

Lack of a procedure to ensure that fee-for-service providers meet applicable health and safety standards could lead to future noncompliance.

#### **Recommendation:**

As part of the County's provider credentialing process, we recommend that additional procedures are implemented to verify that fee-for-service providers meet the prescribed health and safety standards. This will help ensure compliance with federal requirements.

#### **Finding 02-21**

**Program:** Medicaid Cluster

**CFDA No.:** 93.778

**Passed-through:** California Department of Mental Health

**Award No.:** 01-71184-000 (State Managed Care Contract)

**Award Year:** 2001-2002

**Compliance Requirement:** Special Tests and Provisions – Managed Care

**Questioned Costs:** \$0

#### **Criteria:**

The *March 2002 OMB Circular A-133 Compliance Supplement* requirements for Managed Care require that the pass-through entity operate a system of managed care in accordance with federal requirements.

#### **Condition Found:**

We noted that the County has time and labor report (TLR) codes that employees must use in coding their time related to quality improvement activities. In reviewing the County's supporting documentation for the

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### Schedule of Findings and Questioned Costs

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Quarterly Quality Assurance Report, which is submitted to the State, we noted that the TLR codes assigned for the various quality improvement activities are not always properly utilized by County personnel. In addition, per review of the minutes of the County's Continuous Quality Improvement Committee, we noted that some meeting attendees were not represented.

#### **Effect:**

Incorrect use of the TLR codes for quality improvement activities results in inaccurate quarterly reporting to the State.

#### **Recommendation:**

We recommend that the County:

- Distribute the TLR codes for the various quality assurance activities to staff.
- Implement a formal procedure whereby supervisors review and approve the employees' TLRs to ensure that the coding is correct.
- Obtain a list of committee members and related clerical support that would be expected to utilize the quality assurance codes and compare this list with the supporting documentation used to prepare the quarterly reports. In addition, we recommend that the supporting detail is reconciled to the related approved committee meeting minutes where appropriate.

#### **Finding 02-22**

**Program:** Medicaid Cluster

**CFDA No.:** 93.778

**Passed-through:** California Department of Mental Health

**Award No.:** 01-71246-000 (Performance Contract) & 01-71184-000 (State Managed Care Contract)

**Award Year:** 2001-2002

**Compliance Requirement:** Special Tests and Provisions – Managed Care

**Questioned Costs:** \$0

#### **Criteria:**

The *March 2002 OMB Circular A-133 Compliance Supplement* requirements for Managed Care require that the pass-through entity operate a system of managed care in accordance with federal requirements.

#### **Condition Found:**

One of the stated fiscal year 2002 goals of the Utilization Review function was to audit/review no less than 5% of the unduplicated cases annually. However, we noted that there was no formal tracking mechanism in place to monitor whether this goal was being met. In addition, there was no consistent measure used to identify unduplicated cases. During discussions with management personnel of the Compliance Unit, key staff indicated this policy could not be adhered to.

#### **Effect:**

Lack of a procedure to monitor the number of audits/reviews performed annually may lead to potential future noncompliance.

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#### **Recommendation:**

We recommend that the County review the existing policies and procedures and update accordingly to ensure that a formal tracking mechanism is in place to monitor the County's Utilization Review established goals and whether or not they are being met within established timeframes.

#### **Finding 02-23**

**Program:** Medicaid Cluster

**CFDA No.:** 93.778

**Passed-through:** California Department of Social Services

**Award No.:** MCAC Letter 2001-11; 2002-01; 2002-02; 2002-05

**Award Year:** Fiscal year 2001/02

**Compliance Requirement:** Allowable Costs and Activities

**Questioned Costs:** Unknown

#### **Criteria:**

The fiscal year 2002 grant agreement with the State of California requires that the County submit the County Expense Claim (CEC) for program administrative costs to the State of California on a quarterly basis for reimbursement.

#### **Condition Found:**

The County submits the CEC for program administrative costs to the State of California on a quarterly basis for reimbursement. Caseworkers complete time study forms, which are compiled into a time study summary report that is used to allocate the payroll expenditures to the various federal programs in the CEC. Of the 16 employee time study transactions selected from the quarterly time study reports for test work, we noted 11 transactions whereby the employee's Time and Labor Report (TLR) did not agree to the quarterly time study summary reports. The TLR is completed and signed by the employee and reviewed and signed by a supervisor each pay period. We noted instances where a) the employee's total allocable and nonallocable hours per the time study summary report did not agree to the TLR and b) the employee's time study hours exceeded standard hours for the pay period.

#### **Effect:**

As a result of these discrepancies, the ratios used to allocate payroll expenditures to the various federal programs in the CEC, which are derived from the data in the time study summary reports, are inaccurate. The amount of the discrepancy is currently not known. However, the effect of this control weakness is mitigated by the documented review of the CEC for fluctuations in excess of 15%.

#### **Recommendation:**

We recommend that the County review the current preparation process for the quarterly time study summary reports and implement formal reconciliation and review procedures of the TLR and the time study reports in order to ensure the accuracy of the time study summary reports. This will help ensure that the amounts claimed for reimbursement for each of the federal programs included in the CEC are accurate.

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#### **Finding 02-24**

**Program:** Medicaid Cluster

**CFDA No.:** 93.778

**Passed-through:** California Department of Social Services

**Award No.:** MCAC Letter 2001-11; 2002-01; 2002-02; 2002-05

**Award Year:** Fiscal year 2001/02

**Compliance Requirement:** Allowable Costs and Activities

**Questioned Costs:** \$495,427

#### **Criteria:**

The fiscal year 2002 grant agreement with the State of California requires that the County submit the County Expense Claim (CEC) for program administrative costs to the State of California on a quarterly basis for reimbursement.

#### **Condition Found:**

In performing allowable costs test work, we noted an expenditure related to a lease purchase agreement in the total amount of \$3,513,242 whereby the monthly lease payments were claimed for reimbursement in the CEC. In accordance with the CAP, the portion of a lease payment for a capitalized asset in excess of the annual depreciation or use allowance amount is unallowable and cannot be claimed for reimbursement. By utilizing the depreciation approach, and a five-year estimated life, lease payments in excess of the annual depreciation expense for fiscal year 2002 are approximately \$495,427.

#### **Effect:**

Thus, amounts claimed for reimbursement in the CEC for fiscal year 2002 were overstated by approximately \$495,427. Such amount should have been claimed in fiscal years 2003 and 2004, in order to correspond to the timing of the related depreciation expense.

#### **Recommendation:**

We recommend that the County implement a procedure to verify that any nonpayroll expenditures claimed for reimbursement on the CEC are in accordance with the CAP. This will help ensure that the amounts claimed for reimbursement for each of the federal programs included in the CEC are accurate.

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#### **Finding 02-25**

**Program:** Medicaid Cluster

**CFDA No.:** 93.778

**Passed-through:** California Department of Alcohol and Drug Program

**Award No.:** SCC36

**Award Year:** 7/01/01 – 6/30/05

**Compliance Requirement:** Allowable Costs and Activities

**Questioned Costs:** \$1,396.12

#### **Criteria:**

The fiscal year 2002 grant agreement with the State of California requires that grant funds are to be used for allowable costs and activities in accordance with the *March 2002 OMB Circular A-133 Compliance Supplement* and *California Code of Regulations Title 22* (Title 22).

#### **Condition Found:**

Of the 31 transactions selected for allowable costs testwork, we noted the following:

- 1) Title 22 mandates that for “outpatient drug-free treatment services and narcotic treatment programs, group counseling shall be conducted with no less than four and no more than ten clients at the same time, only one of whom needs to be a Medi-Cal beneficiary.” Section 51341.1 (m)(6) considers reimbursement for group counseling which does not meet this definition an overpayment to be recovered from the provider. With regard to the group counseling size requirement, we noted:
  - a. Five items where documentation of the group counseling size was not maintained and therefore the services are unallowable totaling expenditures of \$161.65.
  - b. Two items where the group counseling size exceeded the maximum size and thus the services are unallowable totaling \$646.60.
  - c. One provider whose group size frequently did not meet Title 22 guidelines. For January 2002, we noted claims of \$4,300 related to group counseling sessions that did not meet Title 22 size requirements.
- 2) Two items totaling expenditures of \$109.83 where services claimed for reimbursement had not been performed and thus, are unallowable costs.
- 3) Eight items that were claimed late and had been input into the SIMON system with Good Cause Codes. However, the providers did not prepare the Good Cause Certification Letter (ADP 6065) as required. This resulted in unallowable costs totaling \$478.04.

#### **Effect:**

As a result, total costs of \$1,396.12 should have been considered unallowable.

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#### **Recommendation:**

We recommend that:

- 1) The County formally communicates with providers regarding maintenance of formal documentation of each client's attendance at group sessions. At a minimum, the attendance sheet should indicate the topic, date, and duration of each session, and be signed by the beneficiary. We also recommend that the County adjust its Medi-Cal claim to the State to reflect the previously approved services.

Furthermore, we recommend that the County take the following actions:

- Update the Client Service Requirements module of the ADS Audit Protocol to include a review of group counseling activity for compliance with program requirements where applicable.
  - Provide formal training/communications to providers regarding Title 22 group counseling size requirements.
  - Prepare a supplemental Cost Report adjusting the amount deemed reimbursable as a result of the County's review (that covered four months of fiscal year 2002) of this particular provider.
- 2) The County formally communicates with the provider to reiterate the need to input accurate data into the SIMON system which is adequately supported by documentation maintained in the client's file. We also recommend that the County adjusts its Medi-Cal claim to the State to reflect the previously approved service.
  - 3) All providers are reminded of the need to prepare form ADP 6065, the Good Cause Certification Letter, to support submission of late claims that are input into the SIMON system. Further, we recommend that the County formally communicate to providers that Good Cause Codes may only be utilized for reasons outlined in State guidelines.



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#### **Finding 02-26**

**Program:** Medicaid Cluster

**CFDA No.:** 93.778

**Passed-through:** California Department of Alcohol and Drug Program

**Award No.:** SCC36

**Award Year:** 7/01/01 – 6/30/05

**Compliance Requirement:** Allowable Costs and Activities

**Questioned Costs:** \$0

#### **Criteria:**

The fiscal year 2002 grant agreement with the State of California requires that grant funds are to be used for allowable costs and activities in accordance with the *March 2002 OMB Circular A-133 Compliance Supplement* and Title 22.

#### **Condition Found:**

In accordance with Title 22, initial and continuing treatment plans must be approved by the physician within 15 days of the date prepared and the waiver of physical examination must be completed within 30 days of the admission to treatment date. In performing allowable costs test work, we noted instances where the County's Quality Assurance Review (QAR) process identified instances when Title 22 required timeframes were not met. However, there was no subsequent action taken by the County or provider to adjust or deduct related disallowed units of service previously claimed. In addition, we noted that there was no formal documentation of policies and procedures for the QAR process; nor were job descriptions available for County Program Coordinators facilitating these reviews.

#### **Effect:**

Lack of formal policies and procedures regarding the QAR process and follow-up on findings may lead to future noncompliance.

#### **Recommendation:**

We recommend that the County establish, document, and disseminate consistent requisite actions to be taken as a result of findings identified during the QAR process. Additionally, we recommend that the County implement formally documented policies and procedures, current job descriptions for review facilitators, as well as standardized checklists/forms and reports.

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#### **Finding 02-27**

**Program:** Medicaid Cluster

**CFDA No.:** 93.778

**Passed-through:** California Department of Alcohol and Drug Program

**Award No.:** SCC36

**Award Year:** 7/01/01 – 6/30/05

**Compliance Requirement:** Eligibility

**Questioned Costs:** \$0

#### **Criteria:**

The *March 2002 OMB Circular A-133 Compliance Supplement* requirements for Eligibility require that the pass-through entity determine client eligibility to provide reasonable assurance that amounts are provided to or on behalf of eligible clients in accordance with federal requirements.

#### **Condition Found:**

In accordance with Title 22:

- Initial treatment plans must be prepared within 30 days of the admission to treatment date and must be approved by the physician within 15 days of the date prepared.
- Continuing treatment plans must be prepared within 90 days of the most recent plan and approved by the physician within 15 days of the date prepared.
- Waiver of physical examination must be completed within 30 days of the admission to treatment date.

Of the 31 clients selected for eligibility test work, we noted the following:

- Three clients where the waiver of physical exam was signed by the physician after the 30-day timeframe; and
- Eight clients where the initial and continuing treatment plans were prepared by the counselor and/or signed by the physician beyond the timeframe specified under Title 22.

#### **Effect:**

As a result, these clients should have been considered ineligible for services from the initial due date of the waiver/plans through the date that the waiver/plans were actually prepared and approved.

#### **Recommendation:**

We recommend that the County emphasize to all providers the need for timely preparation and approval of the physical waiver and treatment plans in order to properly comply with eligibility requirements. The County should also consider implementing programming changes into the SIMON system to detect and reject services which do not adhere to these guidelines. Further, when these discrepancies are detected during the County's Quality Assurance Review process, the provider should be required to submit corrected claims.

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#### **Finding 02-28**

**Program:** Medicaid Cluster

**CFDA No.:** 93.778

**Passed-through:** California Department of Alcohol and Drug Program

**Award No.:** SCC36

**Award Year:** 7/01/01 – 6/30/05

**Compliance Requirement:** Reporting

**Questioned Costs:** \$0

#### **Criteria:**

The fiscal year 2002 grant agreement with the State of California requires that the County submit the monthly California Alcohol and Drug Data System (CADDs) Report and the Drug and Alcohol Treatment Access Report (DATAR) by the 10<sup>th</sup> of the following month.

#### **Condition Found:**

In performing test work, we noted the following:

- Of the 12 CADDs reports submitted to the State for fiscal year 2002, we noted that six reports were submitted after the State's deadline. We noted reports submitted between 2 to 22 days after the State's deadline.
- There is no formal process for tracking the submission of the DATARs by the required due date.

#### **Effect:**

Reports are not submitted by the required due date.

#### **Recommendation:**

We recommend that:

- The County implement procedures to ensure that required reports are submitted by the due date specified by the State.
- The County implement a formal process to track the submission of the DATAR. The County's existing manual log should be modified to include, at a minimum, the provider name, provider number, date report is received by the County from the provider, and the date the report is submitted to the State. Further, for those providers who submit the DATAR directly to the State, the County should request a copy of the report and the date of the provider's submission to the State.

This will help ensure compliance with federal requirements related to reporting.

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Year ended June 30, 2002

**Finding 02-29**

**Program:** Medicaid Cluster

**CFDA No.:** 93.778

**Passed-through:** California Department of Alcohol and Drug Program

**Award No.:** SCC36

**Award Year:** 7/01/01 – 6/30/05

**Compliance Requirement:** Reporting

**Questioned Costs:** \$3,204

**Criteria:**

The fiscal year 2002 grant agreement with the State of California requires that the County report share of cost and other revenue adjustments related to each provider in order to arrive at a net reimbursement amount on the Monthly Invoice Summary (Form ADP 1592) that is submitted to the State for reimbursement.

**Condition Found:**

In performing test work, we noted that the County's monthly payments to providers were appropriately net of additional revenue received. However, we noted that the corresponding revenue adjustments were not properly reported by the County as a deduction on Form ADP 1592 submitted to the State, as required.

**Effect:**

Thus, the County's monthly reimbursements from the State are overstated by a total of \$3,204 as the revenue adjustments have not been properly reported as a deduction on Form ADP 1592.

**Recommendation:**

We recommend that the County implement a formal procedure to properly identify and report revenue adjustments as a deduction on Form ADP 1592.

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#### **Finding 02-30**

**Program:** Medicaid Cluster

**CFDA No.:** 93.778

**Passed-through:** California Department of Alcohol and Drug Program

**Award No.:** SCC36

**Award Year:** 7/01/01 – 6/30/05

**Compliance Requirement:** Special Tests and Provisions – Provider Eligibility

**Questioned Costs:** \$0

#### **Criteria:**

The *March 2002 OMB Circular A-133 Compliance Supplement* requirements for Provider Eligibility require that providers of medical services are licensed in accordance with federal, state, and local laws and regulations.

#### **Condition Found:**

Of the 30 providers selected for provider eligibility test work, we noted the following:

- One provider without evidence of a current business license
- One provider without evidence of current workers' compensation insurance
- One provider without evidence of a current fire clearance certificate
- 13 providers without evidence of current insurance coverage or a valid business license in provider files maintained by the County.

Furthermore, we noted that the provider files maintained by the County are not consistently organized or updated on a regular basis.

#### **Effect:**

Lack of a procedure to ensure that providers meet eligibility requirements could lead to future noncompliance.

#### **Recommendation:**

We recommend that the County immediately update its filing system to ensure that contractually required documents are maintained in the files. We also recommend that a tracking mechanism be implemented for maintenance of provider files to ensure that providers are in compliance with contractual requirements.

**COUNTY OF SAN BERNARDINO, CALIFORNIA**

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**Finding 02-31**

**Program:** HIV Cluster – HIV Emergency Relief Formula Grant Title I

**CFDA No.:** 93.914

**Award No.:** 6H89HA00032-08-01

**Award Year:** 4/04/94 – 2/29/04

**Compliance Requirement:** Reporting

**Questioned Costs:** \$0

**Criteria:**

The *March 2002 OMB Circular A-133 Compliance Supplement* requirements for Reporting require that certain reports be submitted to the Department of Health and Human Services.

**Condition Found:**

While performing compliance test work, we noted the following:

- The Annual Administrative Report (AAR) is due annually on March 15. The County submitted the AAR after March 15, 2002.
- The Federal Cash Transaction Report (SF-272) is due 45 days after the end of the quarter. The County submitted the 2002 third quarter report on May 21, 2002 and the 2002 fourth quarter report on August 20, 2002.
- The Title I CARE ACT annual funding source for one provider in the amount of \$2,525,995 was not included in the AAR, as required.

**Effect:**

Reports are not submitted by the required due date and are incomplete.

**Recommendation:**

We recommend that the County implement procedures to ensure that required reports 1) are properly reviewed for accuracy and completeness prior to submission to federal agencies and 2) are submitted by the required due date in order to ensure compliance with federal requirements related to reporting.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2002

**Finding 02-32**

**Program:** HIV Cluster – HIV Emergency Relief Formula Grant Title I

**CFDA No.:** 93.914

**Award No.:** 6H89HA00032-08-01

**Award Year:** 4/04/94 – 2/29/04

**Compliance Requirement:** Subrecipient Monitoring

**Questioned Costs:** \$0

**Criteria:**

The *March 2002 OMB Circular A-133 Compliance Supplement* requirements for Subrecipient Monitoring require that the pass-through entity monitor the subrecipient's activities to provide reasonable assurance that the subrecipient administers awards in compliance with federal requirements.

**Condition Found:**

As part of the County's subrecipient monitoring procedures, the County verbally inquires of the subrecipient whether a single audit is required and, if so, obtains a copy of the subrecipient's single audit report. Of the 12 subrecipients selected for test work, we noted 1 subrecipient that received more than \$300,000 in federal funds and did not have a single audit performed.

**Effect:**

The County's subrecipients may not be in compliance with *OMB Circular A-133* compliance requirements.

**Recommendation:**

We recommend that the County ensure that the established procedures regarding subrecipient monitoring are consistently followed such that current single audit reports are properly obtained from all subrecipients required to have one performed. This will help ensure that subrecipients are properly monitored to ensure compliance with federal requirements.

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#### **Finding 02-33**

**Program:** Adoption Assistance

**CFDA No.:** 93.659

**Passed-through:** California Department of Health Services

**Award No.:** CFL 00/01-79

**Award Year:** Fiscal year 2001/02

**Compliance Requirement:** Allowable Costs and Activities

**Questioned Costs:** Unknown

#### **Criteria:**

The fiscal year 2002 grant agreement with the State of California requires that the County submit the County Expense Claim (CEC) for program administrative costs to the State of California on a quarterly basis for reimbursement.

#### **Condition Found:**

Caseworkers complete time study forms, which are compiled into a time study summary report that is used to allocate the payroll expenditures to the various federal programs in the CEC. Of the seven employee time study transactions selected from the quarterly time study reports for test work, we noted two transactions whereby the employee's Time and Labor Report (TLR) did not agree to the quarterly time study summary reports. The TLR is completed and signed by the employee and reviewed and signed by a supervisor each pay period. We noted instances where the a) the employee's total nonallocable hours per the time study summary report did not agree to the TLR (i.e., vacation, holiday, and sick leave) and b) the employee's nonallocable hours per the time study summary report did not comply with County instructions effective May 2002 whereby break time is required to be coded to the activity performed immediately prior to the break.

#### **Effect:**

As a result of these discrepancies, the ratios used to allocate payroll expenditures to the various federal programs in the CEC, which are derived from the data in the time study summary reports, are inaccurate. The amount of the discrepancy is currently not known. However, the effect of this control weakness is mitigated by the documented review of the CEC for fluctuations in excess of 15%.

#### **Recommendation:**

We recommend that the County review the current preparation process for the quarterly time study summary reports and implement formal reconciliation and review procedures of the TLR and the time study summary reports in order to ensure the accuracy of the time study summary reports. This will help ensure that the amounts claimed for reimbursement for each of the federal programs included in the CEC are accurate.



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Schedule of Findings and Questioned Costs

Year ended June 30, 2002

**Finding 02-34**

**Program:** Mental Health Services Block Grant

**CFDA No.:** 93.958

**Passed-through:** California Department of Mental Health

**Award No.:** Not Applicable

**Award Year:** Fiscal year 2001/02

**Compliance Requirement:** Allowable Costs and Activities

**Questioned Costs:** \$45,227

**Criteria:**

The fiscal year 2002 grant application with the California Department of Mental Health states that grant funds are not to be used to pay an individual salary at a rate in excess of \$125,000 per year, excluding benefits.

**Condition Found:**

In performing compliance test work, we noted an individual employee's salary that exceeded the maximum amount allowed by \$45,227 that was included in the expenditure amount in the 2002 quarterly reports submitted to the State for reimbursement.

**Effect:**

Unallowable costs of \$45,227 were claimed for reimbursement.

**Recommendation:**

We recommend that the County implement procedures to ensure that only the specified maximum salary amount in the grant application are included in the expenditures submitted to the State to ensure compliance with federal requirements related to allowable costs and activities.

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#### **Finding 02-35**

**Program:** Mental Health Services Block Grant

**CFDA No.:** 93.958

**Passed-through:** California Department of Mental Health

**Award No.:** Not Applicable

**Award Year:** Fiscal year 2001/02

**Compliance Requirement:** Allowable Costs and Activities

**Questioned Costs:** \$400,000

#### **Criteria:**

The fiscal year 2002 grant agreement with the State of California requires that grant funds be used for allowable costs and activities in accordance with the *March 2002 OMB Circular A-133 Compliance Supplement*.

#### **Condition Found:**

During our test work of allowable costs and activities, we noted the following:

- The supporting worksheets for the quarterly reports did not match the department's internal operating statement. We understand that the expenses reported during each quarter were annualized numbers based on the latest financial statement information. However, we did not observe any correcting entries made in the following quarter or quarters to adjust the numbers to actual. In addition, the supporting worksheets of the 2001 and 2002 annual cost reports did not match the total expenditures and revenues shown on the department's final operating statements for the fiscal years ended June 30, 2001 and 2002.
- The dual diagnosis actual program expenditures incurred in fiscal year 2002 were less than the amount reported by the County in its quarterly report to the State by June 30, 2002. The County subsequently corrected the annual report in January 2003.
- The Social Security (SSI) revenues recorded in cost center 2355 were not deducted from the total costs when expenses of the Mental Health Services Block Grant were reported and claimed in fiscal year 2002. The SSI revenues were instead reflected on the department's Medi-Cal Annual Cost Report as other income. If the SSI revenues shown in cost center 2355 were properly taken into consideration when the annual cost report was prepared, total expenditures for the Mental Health Services Block Grant program would have been over reimbursed by approximately \$400,000, of which a portion related to the grant.

#### **Effect:**

The supporting worksheets, quarterly reports, and Annual Cost Report are not in agreement with the underlying accounting records.

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### Schedule of Findings and Questioned Costs

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#### **Recommendation:**

We recommend the following:

- The County implements a formal process to reconcile the quarterly reports submitted to the State with the County's automated general ledger system to ensure the accuracy of the expenditure amount.
- The SSI revenues recorded in cost center 2355 be properly allocated to the contractor's cost center where the patient is receiving care and accommodation.

#### **Finding 02-36**

**Program:** Mental Health Services Block Grant

**CFDA No.:** 93.958

**Passed-through:** California Department of Mental Health

**Award No.:** Not Applicable

**Award Year:** Fiscal year 2001/02

**Compliance Requirement:** Allowable Costs and Activities

**Questioned Costs:** \$0

#### **Criteria:**

The fiscal year 2002 grant agreement with the State of California requires that grant funds be used for allowable costs and activities in accordance with the *March 2002 OMB Circular A-133 Compliance Supplement*.

#### **Condition Found:**

During our test work of allowable costs and activities, we noted the following:

- In performing test work on the Homeless Shelters charts, we noted three client charts that did not have a completed assessment form, one client chart did not include a discharge date, and four clients that did not have charts.
- An inventory log was not maintained by the Homeless Shelter office to keep track of the food and lodging vouchers used by the homeless, dual diagnosis, and room and board programs. In addition, we noted that the food and lodging vouchers were amended by staff who were not authorized to approve the food and lodging vouchers.

#### **Effect:**

- In order to support that a service is allowable, the required documentation must be properly maintained in the client chart.
- Lack of a formal procedure to safeguard and monitor the issuance of food and lodging vouchers could lead to future noncompliance.

## COUNTY OF SAN BERNARDINO, CALIFORNIA

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#### **Recommendation:**

We recommend the following:

- The County develop policies and procedures in maintaining a consistent documentation and charting process of homeless shelter clients.
- The County maintain an inventory log of food and lodging vouchers to ensure that the vouchers are secured and accounted for, and to enforce the County's policies concerning payment authorization.

#### **Finding 02-37**

**Program:** Mental Health Services Block Grant

**CFDA No.:** 93.958

**Passed-through:** California Department of Mental Health

**Award No.:** Not Applicable

**Award Year:** Fiscal year 2001/02

**Compliance Requirement:** Earmarking

**Questioned Costs:** \$0

#### **Criteria:**

The *March 2002 OMB Circular A-133 Compliance Supplement* requirements for Earmarking require that no more than 10% of grant funds may be expended for administrative expenses.

#### **Condition Found:**

In performing test work, we noted that the worksheet showed total administrative costs of \$477,144, of which \$106,420 was charged to the grant. While this amount did not exceed 10% of the grant funds, the worksheet did not clearly identify how administrative costs charged to the grant were calculated. Additionally, we noted no supporting documentation for the calculation.

#### **Effect:**

The worksheet does not agree to the underlying accounting records.

#### **Recommendation:**

We recommend that the County properly identify program costs that are charged to a grant and those that are paid for by other sources. A process should be established whereby any costs charged to a grant or multiple grants are properly identified, documented and included in the worksheet in order to properly calculate and monitor the earmarking requirement. This will help ensure that the quarterly and annual reports submitted to the State are properly supported and the supporting documentation clearly identifies those administrative expenses that are charged to the grant.

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#### **Finding 02-38**

**Program:** Mental Health Services Block Grant

**CFDA No.:** 93.958

**Passed-through:** California Department of Mental Health

**Award No.:** Not Applicable

**Award Year:** Fiscal year 2001/02

**Compliance Requirement:** Procurement, Suspension, and Debarment

**Questioned Costs:** \$0

#### **Criteria:**

The *March 2002 OMB Circular A-133 Compliance Supplement* requirements for Procurement, Suspension, and Debarment require that the pass-through entity's procurement policies and procedures are in accordance with federal requirements.

#### **Condition Found:**

Of the 17 contractors selected for test work, we noted the following:

- 3 contractors that did not have valid insurance certificates
- 5 contractors that were inappropriately not licensed as they failed to meet applicable exemption requirements for community care licensure
- 1 contractor that did not have a valid business license on file
- 1 contractor that was not a valid corporation as it had been legally dissolved since February 1998.

#### **Effect:**

Lack of a procedure to ensure contractors meet the County's requirements may lead to future noncompliance.

#### **Recommendation:**

We recommend that the County implement procedures to ensure that contractors meet the County requirements prior to awarding the contract and that all contractors are in compliance with the State's community care licensing requirements.

**COUNTY OF SAN BERNARDINO, CALIFORNIA**

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**Finding 02-39**

**Program:** Mental Health Services Block Grant

**CFDA No.:** 93.958

**Passed-through:** California Department of Mental Health

**Award No.:** Not Applicable

**Award Year:** Fiscal year 2001/02

**Compliance Requirement:** Reporting

**Questioned Costs:** \$0

**Criteria:**

SAMHSA Letter No. 01-02 issued by the California Department of Mental Health (State) requires that the County submit quarterly reports within 20 days of the quarter-end.

**Condition Found:**

In performing test work, we noted that the State approved the request of the County to extend the deadline of each quarterly report in fiscal year 2002. Of the four quarterly reports submitted for fiscal year 2002, one report was submitted 34 days after the extended due date.

**Effect:**

Reports are not submitted by the required due date.

**Recommendation:**

We recommend that the County implement procedures to ensure that required reports are submitted by the due date specified by the State in order to ensure compliance with federal requirements related to reporting.

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#### **Finding 02-40**

**Program:** Mental Health Services Block Grant

**CFDA No.:** 93.958

**Passed-through:** California Department of Mental Health

**Award No.:** Not Applicable

**Award Year:** Fiscal year 2001/02

**Compliance Requirement:** Subrecipient Monitoring

**Questioned Costs:** \$0

#### **Criteria:**

The *March 2002 OMB Circular A-133 Compliance Supplement* requirements for Subrecipient Monitoring require that the pass-through entity monitor the subrecipient's activities to provide reasonable assurance that the subrecipient administers awards in compliance with federal requirements.

#### **Condition Found:**

Of the 17 subrecipients selected for test work, we noted the following:

- The subrecipient contracts do not contain provisions related to *OMB Circular A-133* compliance requirements. We understand that beginning in July 2002, the County has amended such contracts to include the required provisions of *OMB Circular A-133*.
- The County does not have a formal procedure for maintaining single audit reports from those subrecipients required to have one performed.
- The County does not perform contract administration and utilization monitoring procedures on homeless shelter contractors.

#### **Effect:**

Lack of formal procedures for subrecipient monitoring may lead to future noncompliance.

#### **Recommendation:**

We recommend that the County implement a procedure to obtain single audit reports for those subrecipients required to have one performed to ensure compliance with federal requirements. Additionally, we recommend that the County implement formal monitoring procedures for the homeless shelter contractors to ensure compliance with State regulations and federal requirements.

## COUNTY OF SAN BERNARDINO, CALIFORNIA

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#### **Finding 02-41**

**Program:** Mental Health Services Block Grant

**CFDA No.:** 93.958

**Passed-through:** California Department of Mental Health

**Award No.:** Not Applicable

**Award Year:** Fiscal year 2001/02

**Compliance Requirement:** Subrecipient Monitoring

**Questioned Costs:** \$0

#### **Criteria:**

The *March 2002 OMB Circular A-133 Compliance Supplement* requirements for Subrecipient Monitoring require that the pass-through entity monitor the subrecipient's activities to provide reasonable assurance that the subrecipient administers awards in compliance with federal requirements.

#### **Condition Found:**

The County conducts annual program reviews (APR) of the contractors participating in the County's Mental Health Block Grant program on an annual basis. The review entails site inspections and program evaluation. In reviewing the APRs that had been performed during fiscal year 2002, we noted that the County's process did not include formal follow-up procedures for deficiencies identified by other audits (i.e., State or County DBH Quality Control) to ensure that the deficiencies have been corrected.

#### **Effect:**

Lack of formal follow-up procedures on deficiencies identified in contractor audits may lead to future noncompliance.

#### **Recommendation:**

We recommend that the County implement a formal process to follow up on deficiencies identified, when necessary, to ensure that the contractor has corrected the deficiency.



## COUNTY OF SAN BERNARDINO, CALIFORNIA

### Schedule of Findings and Questioned Costs

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#### **Finding 02-42**

**Program:** U.S. Marshal – Federal Inmates

**CFDA No.:** 16.000

**Award No.:** Intergovernmental Agreement No. 12-99-0035

**Award Year:** 5/01/99 – 5/01/09

**Compliance Requirement:** Allowable Costs and Activities

**Questioned Costs:** \$5,593

#### **Criteria:**

The County's Intergovernmental Agreement (IGA No. 12-99-0035) with the U.S. Marshal (USMS) requires that the County provide for the housing, safekeeping, and subsistence of adult male and female federal prisoners in accordance with state and local laws, standards, policies, and procedures, and court orders applicable to the operations of the San Bernardino County Jail.

#### **Condition Found:**

The County is reimbursed by the Federal Agencies at an agreed-upon fixed rate identified on the Intergovernmental Agreement (IGA). A separate invoice is submitted monthly to these Federal Agencies for inmate housing, transportation services, and medical housing at the West Valley Medical Unit (WVMC) including prescription medications, x-rays, rental of medical equipment, and dialysis.

In performing test work, we noted the following errors that summed to questioned costs of \$5,593 in submitting for reimbursement of allowable costs:

- Per the grant agreement, the per diem rate for nonmedical prisoners was \$60 per day. However, we noted that one nonmedical, very high-risk prisoner was housed at West Valley Detention Center (WVDC) and the USMS was billed for the medical daily rate of \$500 per day. The County received verbal approval from the USMS district office that has jurisdiction over those particular inmates to house him in the high-security medical unit at WVDC. However, this authorization could not be confirmed or was not documented in writing. The amount of the difference between the rates is \$440 a day and the prisoner was housed in this facility for 12 days in April 2002.
- The USMS is to be billed for actual pharmacy costs incurred. In one instance, the USMS was billed for medication that a prisoner never received. The prisoner was released from custody on August 1, 2001 and the pharmacy did not fill the prescription that had been ordered until August 8, 2001. According to staff at WVDC, that medication was not forwarded to the ex-inmate due to his release and so was probably returned to the pharmacy. The cost of the prescription was \$102.
- The second amendment to the IGA incorporated the USMS Prisoner Health Care Policy Standards into the existing agreement. According to the policy, dental costs are not authorized medical procedures for payment by the USMS unless ordered by the court. However, we noted that in one instance, the USMS was billed for dental services that were not authorized by the court. The cost of these dental services was \$25.

## COUNTY OF SAN BERNARDINO, CALIFORNIA

### Schedule of Findings and Questioned Costs

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- The second amendment to the IGA allowed for the reimbursement of x-rays, prescription medications, rental of medical equipment, and dialysis costs. We noted that an inmate was x-rayed but the cost of the x-rays was not included on invoice number 2534, dated 1/29/02 for December 2001. The x-rays were for two views of each knee and would have cost \$186.

In performing test work, we noted the following errors that resulted in under billings totaling \$20,263 in submitting for reimbursement of allowable costs:

- All trips to and from San Diego were being billed at a flat rate of \$698.05 instead of the agreed-upon rate at the time of the trip of \$37.22 per hour per deputy, \$0.57 per mile and \$17.37 for insurance per trip. It was noted that the County obtained verbal agreement from the San Diego USMS district office to use this rate but this agreement could not be confirmed or was not documented in writing. The effect of this discrepancy on the four invoices we reviewed revealed that the County under billed the USMS by approximately \$17,354.
- Transportation logs (memos) are submitted to the Sheriff's Bureau of Administration for invoice generation. Copies of the memos are included in the packet with the invoice when it is sent to the USMS for payment. Three invoices did not include information from some of the memos included in the packet and two invoices submitted to the USMS for payment used incorrect information from the transportation memos. On one memo, the miles driven were incorrectly copied to the spreadsheet used to calculate the total invoice (total miles was typed as 128 instead of 178). As a result, the Federal Agencies were under billed by approximately \$2,909.
- Medical charts are to be kept on file at WVDC. However, during our fieldwork, we noted that in one instance, an inmate's medical chart was not available for review.

#### **Effect:**

This resulted in questioned costs totaling \$5,593. Additionally, claims for reimbursement were not consistently supported by the transportation logs, medical charts, or the agreement with the USMS district office.

#### **Recommendation:**

We recommend that the County bill the appropriate Federal Agency only for the contracted rates for transportation and housing, and allowable medical services. A process should be established whereby all contracts and amendments to the agreements are formalized in writing between the parties involved. Any modifications to the agreement must be submitted and negotiated in writing.

We also recommend that the County implement procedures to ensure that all invoices and supporting documentation be reviewed for completeness and accuracy by a supervisor or designee before submitting them to the appropriate Federal Agency for payment. We believe this additional procedure would have caught most of the errors listed above.

Additionally, we recommend that the County review past invoices for under billings and submit corrected invoices for reimbursement to the appropriate Federal Agencies as applicable.

Further, we recommend that the County maintain copies of all medical charts for purposes of federal examination and audit.

## COUNTY OF SAN BERNARDINO, CALIFORNIA

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#### **Finding 02-43**

**Program:** U.S. Marshal – Federal Inmates

**CFDA No.:** 16.000

**Award No.:** Intergovernmental Agreement No. 12-99-0035

**Award Year:** 5/01/99 – 5/01/09

**Compliance Requirement:** Equipment and Real Property Management

**Questioned Costs:** \$0

#### **Criteria:**

*March 2002 OMB A-133 Compliance Supplement* requirements for Equipment and Real Property Management require the following:

- Maintenance of equipment records
- Performance of a physical inventory of equipment at least once every two years
- An appropriate control system that shall be used to safeguard equipment and adequately maintain the equipment
- Any proceeds received from the disposition of equipment purchased with federal funds must be given back to the federal agency or with the federal agency's permission used in the program for other purposes.

#### **Condition Found:**

While performing compliance test work, we noted that the Sheriff's Department has not conducted the required physical inventory of assets within the last two years. In addition, the County's capital assets-equipment listing at June 30, 2002 did not include the airplane purchased in August 2001 valued at \$2.2 million and still included the old airplane (valued at \$199,338) that was traded in for the new airplane purchased. Finally, the County has a new capital assets system that has the capability to track the funding source of assets and thus would allow the County to know what assets were purchased with federal funds; this function is not being utilized and thus assets purchased with federal funds are not easily identifiable.

#### **Effect:**

Capital assets may not be included or identified as federally funded in the County's property records.

#### **Recommendation:**

We recommend that the Sheriff's Department comply with existing County procedures to ensure that a physical inventory is performed once every two years as required. In addition, if the County's policy is to have each department certify a listing of capital assets each quarter, we recommend that this certification include physically inspecting the assets prior to certification by the department supervisor. Finally, we recommend that the County add a component to their capital assets ledger that allows for the tracking of the funding source so when assets are disposed of, the federal funding agency can be contacted and given its share of the proceeds, if needed.

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#### **Finding 02-44**

**Program:** U.S. Marshal – Federal Inmates

**CFDA No.:** 16.000

**Award No.:** Intergovernmental Agreement No. 12-99-0035

**Award Year:** 5/01/99 – 5/01/09

**Compliance Requirement:** Davis Bacon Act

**Questioned Costs:** \$0

#### **Criteria:**

The *March 2002 OMB Circular A-133 Compliance Supplement* requirements for the Davis Bacon Act require that the County collect weekly certified payrolls from all contractors that are working on projects funded with federal funds that they conduct more than \$5,000 of business with. The purpose of collecting these certified payrolls is to ensure that the contractors are paying their workers federal prevailing wages in accordance with the Davis Bacon Act.

#### **Condition Found:**

While performing our test work over the U.S. Marshal program, we noted that the County does not collect the certified payrolls weekly as required by federal regulations and does not verify that information is correct or that the most current rates are being used.

#### **Effect:**

We believe the reason for the federal government requiring these payrolls to be submitted to the County is to ensure that prevailing wages are being paid and thus without verifying the information at least on a test basis, errors could occur and not be detected.

#### **Recommendation:**

We recommend that the County implement a procedure to collect weekly certified payroll from contractors and review the certified payroll on a regular basis to ensure compliance to federal regulations and that prevailing wages are being paid. We also recommend that the County have the on-site inspector review these certified payrolls and sign off on them.

## COUNTY OF SAN BERNARDINO, CALIFORNIA

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#### **Finding 02-45**

**Program:** Aging Cluster

**CFDA No.:** 93.044, 93.045

**Award No.:** FF-0102-20 A-3

**Award Year:** Fiscal year 2001/02

**Compliance Requirement:** Reporting

**Questioned Costs:** \$0

#### **Criteria:**

The fiscal year 2002 grant agreement with the State of California requires that the County submit certain reports to the California Department of Aging.

#### **Condition Found:**

While performing compliance testwork, we noted the following:

- The Program Budget is due on June 15 prior to the award year. The County submitted the Program Budget on July 16, which was 30 days late. Additionally, the Program Budget Revision was submitted 12 days after the required due date.
- The Service Units Report (SPR 101) is due quarterly 30 days after quarter-end. This report is submitted electronically to the State. Of the four quarterly reports submitted, we noted that the County did not maintain evidence of the date electronically submitted for the 2002 first and second quarter SPR 101 reports and thus, we were unable to verify whether the reports were submitted by the required due date. For the first quarter SPR 101 Report, we noted correspondence from the State notifying the County that the report was past due. Additionally, we noted that both reports were not reviewed by a supervisor prior to submission.
- The Detailed Client Profile Report (SPR 102A) is due annually 60 days after year-end. The County did not maintain evidence of the date submitted and thus, we were unable to verify whether the report was submitted by the required due date.
- The Staffing Profile Report (SPR 104) is due annually 60 days after year-end. The County submitted the SPR 104 18 days after the required due date.
- The Focal Point Report (SPR 106) is due annually 60 days after year-end. The County submitted the SPR 106 13 days after the required due date.
- The Year-End Close Out Report is due annually 60 days after year-end. The County submitted the Year-End Close Out Report 9 days after the required due date.
- Requests for Reimbursement are required to be electronically submitted to the State monthly by the last day of the following month. We noted that reports are not reviewed by the supervisor prior to submission and copies of the reports are not retained by the County. Thus, we were unable to ascertain whether the reports had been prepared or submitted by the due date. Additionally, we were unable to ascertain whether the County's matching requirement had been met as copies of the reports were not retained.

## COUNTY OF SAN BERNARDINO, CALIFORNIA

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#### **Effect:**

Reports are not submitted by the required dates. Additionally, reports may not agree to the underlying accounting records.

#### **Recommendation:**

We recommend that the County implement the procedures to ensure that required reports 1) are properly reviewed for accuracy and completeness prior to submission to federal agencies and 2) are submitted by the required due date in order to ensure compliance with federal requirements related to reporting. Additionally, for reports that require electronic submission, we recommend that the County print out and retain the verification confirmation that the report was successfully submitted to the State. Further, we recommend that the County maintain copies of all reports submitted to the State.

#### **Finding 02-46**

**Program:** Aging Cluster

**CFDA No.:** 93.044, 93.045

**Award No.:** FF-0102-20 A-3

**Award Year:** Fiscal year 2001/02

**Compliance Requirement:** Subrecipient Monitoring

**Questioned Costs:** \$0

#### **Criteria:**

The *March 2002 OMB Circular A-133 Compliance Supplement* requirements for Subrecipient Monitoring require that the pass-through entity monitor the subrecipient's activities to provide reasonable assurance that the subrecipient administers awards in compliance with federal requirements.

#### **Condition Found:**

Of the 37 subrecipients selected for testwork, we noted the following:

- Eleven subrecipients whereby the County had no documentation to support whether monitoring procedures had been performed during fiscal year 2002, as required.
- One monitoring report that was not reviewed and approved by the supervisor.

#### **Effect:**

Lack of adherence to established procedures over subrecipient monitoring may lead to future noncompliance.

#### **Recommendation:**

We recommend that the County ensure that established procedures regarding subrecipient monitoring are consistently followed. Additionally, we recommend that all required monitoring documentation is properly maintained in the subrecipient files. This will help ensure that subrecipients are properly monitored to ensure compliance with federal requirements.

**COUNTY OF SAN BERNARDINO, CALIFORNIA**

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